

**FISCAL NOTE**  
**SB 1167 - HB 1032**

March 6, 2001

**SUMMARY OF BILL:** Exempts from the sales tax all tips, gratuities, and service charges, paid directly or indirectly by the customer to service personnel in a bar, restaurant, hotel, or similar facility in recognition of service. Also excludes tips, gratuities, and service charges from being considered part of gross sales to the bar, restaurant, hotel, or similar facility. Under existing law, tips or gratuities rendered voluntary by the customer without demand on the part of the establishment are not subject to the sales tax. However, under existing law mandatory tips and gratuities required of the customer as a part of the selling price on food, beverages, and other transactions are subject to the state and local option sales tax.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - Exceeds \$2,600,000**

**Decrease Local Govt. Revenues - Exceeds \$900,000**

Estimate assumes:

- Based on information provided by the Department of Revenue, state sales tax revenue from eating and drinking places in FY99-00 was \$349,474,943. The tax base is estimated to be approximately \$5,824,582,383 [ $\$349,474,943 \div 6\%$ ].
- Approximately 5% of the total sales at eating and drinking places involve mandatory tips and gratuities, reducing the total sales tax base for this category to \$291,229,119 (5% of \$5,824,582,383).
- With a 15% rate for gratuities, sales tax would be lost on sales of approximately \$43,684,368, (15% of \$291,229,119), resulting in a decrease in state revenues of approximately \$2,621,062 and a decrease in local government revenues of approximately \$982,898.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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